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IN THE

Supreme Court of the United States

No. 208. October Term, 1937.

LEITCH MANUFACTURING COMPANY, INC.,
Defendant-Petitioner,

v.

THE BARBER COMPANY, INC.,
Plaintiff-Respondent.

On Writ of Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

Brief on Behalf of Petitioner in Opposition.

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Plaintiff-Respondent.

ON A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

BRIEF ON BEHALF OF PLAINTIFF-RESPONDENT.

STATEMENT.

The opinion of the United States District Court in this case is reported, 14 F. Supp. 212. The opinion of the United States Court of Appeals for the Third Circuit is reported, 89 F. (2d) 960.

The Hayden patent, No. 1,684,671, dated September 18, 1928, (Plaintiff's Exhibit No. 1) is for a process for curing concrete. A bituminous solution or emulsion is applied to unset concrete for the formation of a bituminous film thereon. The use of a bituminous material is of primary importance in carrying out the process.

The Court of Appeals for the Third Circuit (Record, p. 138) found the invention of the patent to be:

> "**. . . an invention which, if not a pioneer, is certainly one of very high merit.**" (Emphasis ours.)

Direct infringement was committed by Standard Bitulithic Company, a contractor, in Newark, New Jersey, in August and September, 1933.

Defendant-Petitioner wilfully and purposely aided, abetted and made possible the direct infringement by selling asphalt emulsion, to the direct infringer, for use in carrying out the patented process, with knowledge of the patent and of its intended infringement.

The facts were stipulated (Plaintiff's Exhibit 2). The stipulation is digested in the decision of the United States Circuit Court of Appeals for the Third Circuit (Record, pp. 139-140) and that Court found (Record, p. 140):

> "Notwithstanding **their wilfully and purposely aiding, abetting, and making possible the contractor's deliberate infringement of the patent,** the defendants claim immunity by reason of the fact that Hayden's application was assigned to, and the patent granted to, The Barber Asphalt Company, the Plaintiff." (Emphasis ours.)

The direct infringer was not shown to be a customer of Plaintiff-Respondent. Defendant-Petitioner was not shown to be a customer of Plaintiff-Respondent. **No contractual or other relationship based on or with respect to the patent was shown to have existed between Plaintiff-Respondent and either the direct infringer or Defendant-Petitioner.**

Plaintiff-Respondent has outstanding a license under the patent, to Johnson-March Corporation, which practices the process (Record, p. 55), but the license is not shown to be, and is not, restricted to, or conditioned on, purchase from Plaintiff-Respondent of material for use in practicing the patented process.

Plaintiff-Respondent, *inter alia,* sells unpatented asphalt emulsion adapted for the carrying out of the patented

process to anyone who wishes to buy it, and it follows that its customers have a license under the patent by operation of law. In making sales of emulsion **Plaintiff-Respondent is not shown to impose any limitations or conditions, express or implied, on the use of the emulsion, or with reference to the patent.**

Plaintiff-Respondent is not shown to have refused to grant any license under the patent, or to have offered, much less granted, any license conditioned on purchase of emulsion from it.

Plaintiff-Respondent charges contributory infringement here because **Defendant-Petitioner wilfully and purposefully sold emulsion to a direct infringer with knowledge of the patent and that the emulsion was to be used to commit infringement.**

THE ISSUE.

Infringement is the only issue raised by the petition for the writ of certiorari. *Steele v. Drummond,* 275 U. S. 199, 203; *Webster Electric Co. v. Splitdorf Electrical Co.,* 264 U. S. 463, 464; *Alice State Bank v. Houston Pasture Co.,* 247 U. S. 240, 242.

ARGUMENT.

It is, we believe, well settled that infringement, whether direct or contributory, is a tort, and that one who with knowledge contributes to a direct infringement is as liable in tort as is the direct infringer.

Equity affords relief in cases of direct infringement and of contributory infringement without distinction, since no adequate remedy at law exists in either case.

The facts here present an ordinary case of contributory infringement. *Vide: Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325.

Every element of contributory infringement on the part of Defendant-Petitioner is present; yet Defendant-Petitioner contends that relief should be denied because Plaintiff-Respondent is a competitor in the sale of emulsion, some of which is sold for carrying out the process of the patent.

The right to restrain the sale of an unpatented material with knowledge that it is to be used in the commission of direct infringement of a patent is one with the right to the exclusive use of the invention, granted to a patentee under the Patent laws (R. S., Title LX, Sec. 4884).

The sale of an unpatented material for the purpose of infringing a patent can find no sanction of law. To the contrary, to the extent that enforcement of a patent monopoly, as an inevitable consequence, restricts the sale of an unpatented material for use in connection with an invention, such is inherently within the limits of and one with the patent monopoly, and has full sanction of law.

The rights of a patent owner to the exclusive use of the invention of the patent and the right to relief against infringement, whether direct or contributory, is no less be-

cause the patent owner deals in an unpatented thing used in the practice of the invention. A patent owner's right to restrain contributory infringement is no less than the right to restrain direct infringement. The consequence of restraint of infringement, either direct or contributory, is the same with respect to dealings in unpatented materials in connection with inventions.

Defendant-Petitioner relies on the *Dry Ice Case* (*Carbice Corp. of America v. American Patents Development Corp.*, 283 U. S. 27), to support its contention that this Court should sanction its deliberate and wilful aiding and abetting of infringement upon Plaintiff-Respondent's rights under its patent and which are secured to it by the patent Statutes (R. S. Title LX, Sec. 4884).

Defendant-Petitioner argues on the basis of Plaintiff-Respondent's intent while standing mute on its own evident intent to wilfully and purposefully induce and aid widespread infringement of the patent.

The Dry Ice Case.

The *Dry Ice Case* involved a patent for a refrigerating transportation package. **Plaintiff, by notice on its invoices, attempted to restrict its customers** to the use of approved containers only with its dry ice, and to the use of its dry ice only in approved containers. The Defendant sold dry ice to Plaintiff's customers and Plaintiff brought suit for contributory infringement.

This Court found on the basis of the facts (pp. 31, 32):

> **"The relief here sought is indistinguishable from that denied in the Motion Picture Case"** (p. 31). (Emphasis ours.)
>
> **"The attempt to limit the licensee** to the use of unpatented materials purchased from the licensor **is**

comparable to the attempt of a patentee to fix the price at which the patented article may be resold'' (p. 32). (Emphasis ours.)

And further found (p. 33):

> ''**Infringement, whether direct or contributory, is essentially a tort,** and implies invasion of some right of the patentee.'' (Emphasis ours.)

In the *Motion Picture Case* (*Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502), **this Court condemned an attempt to limit by contract** the use of a patented machine, by the purchaser, to films which were no part of the patented machine.

The Court contrasted the *Dry Ice Case* with the *Talking Machine Case* (*Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325), in which **this Court held that the sale of unpatented records,** with knowledge that they were for use in making a patented combination and **for the carrying out of a patented method** (claim 5 of the Berliner patent No. 534,543) **constituted contributory infringement,** and in its decision in the *Dry Ice Case* (283 U. S. 27, 34) stated:

> ''The case at bar is wholly unlike *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325, 333, on which plaintiffs rely. **That was an ordinary case of contributory infringement.** The Victor Company sold machines embodying a patent for a combination. Leeds & Catlin were held to be infringers because **the intended incorporation** in the Victor machines **of the article which they sold,** did not constitute a repair of the machine and hence **was not within the license implied on sale.**'' (Emphasis ours.)

Having affirmed infringement, whether direct or contributory, to be a tort (p. 33) and **affirming the doctrine of contributory infringement,** in distinguishing from the **Talk-**

ing Machine Case (213 U. S. 325) as an ordinary case of contributory infringement (p. 34), the Court **predicated its decision** in the *Dry Ice Case* (p. 31) **on the rule established in** *The Motion Picture Case* (243 U. S. 502):

> "**But it** [the patent owner] may not exact as the **condition of a license** that unpatented materials used in connection with the invention **shall be purchased only from the licensor**; and if it does so, relief against one who supplies such unpatented materials will be denied. The limited monopoly to make, use and vend an article may not be 'expanded by limitations as to materials and supplies necessary to the operation of it.' *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 515. Compare *United Shoe Machinery Corp. v. United States*, 258 U. S. 451, 462; *United States v. General Electric Co.*, 272 U. S. 476, 492." (Brackets and emphasis ours.)

and (pp. 33-34) denied relief because:

> "The Dry Ice Corporation **is attempting, without sanction of law**, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention. **The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law, in** *Standard Sanitary Mfg. Co. v. United States*, 226 U. S. 20."
>
> (Emphasis ours.)

It is clear that in its decision in the *Dry Ice Case*, as in the *Motion Picture Case*, this Court found that **an attempt to reserve by contract a partial monopoly in an unpatented material**, outside of and apart from the patent monopoly, was **without sanction of law; in distinction from the sanction of law found, in the** *Talking Machine Case*, 213

U. S. 325, for direct action by a patentee, standing on his patent right alone, to restrain invasion of his patent monopoly by deliberate contribution to the direct infringement thereof.

Variously the United States Courts, having occasion to do so, have in general interpreted the decision in the *Dry Ice Case* as based upon an attempt to monopolize an unpatented material by contractual limitation or restriction imposed by the patent owner beyond the limits of his patent monopoly. Thus, for example:

In *Bassick Mfg. Co. v. Adams Grease Gun Corp.*, 52 F. (2d) 36, 38, the Circuit Court of Appeals, Second Circuit, stated:

> "... Commentators in some of the legal periodicals have suggested that the case last cited foreshadows a limitation upon the doctrine of contributory infringement (31 Col. L. Rev. 743, 775; 40 Yale L. J. 1330. See, also, *R. M. Hollingshead Co. v. Bassick Mfg. Co.* [C. C. A. 6], 50 F. (2d) 592, decided June 9, 1931). But we do not read the opinion of Mr. Justice Brandeis as intending a modification of that doctrine. He appears to have treated the case as governed by the principle that a patent monopoly 'may not be expanded by limitations as to materials and supplies necessary to the operation of it' (*Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502, 515, 37 S. Ct. 416, 61 L. Ed. 871); and he expressly differentiated it from 'an ordinary case of contributory infringement' exemplified by *Leeds & Catlin v. Victor Talking Machine Co.*, 213 U. S. 325, 333, 29 S. Ct. 503, 53 L. Ed. 816. That case applied the rule that the sale of an unpatented element of a patented combination with the intent that it shall be united with the other elements to complete the combination, is infringement." (Emphasis ours.)

In *General Foods Corporation v. Seeman Bros., Inc.*, 60 Fed. (2d) 622, 625, the District Court, Southern District of New York, stated:

> "In the present case, **there are no restrictive notices**, and, **even though Certo is fully open to the public**, still any one, who, without a license, practices the patented process, is an infringer. **It would seem clear, also, that any one who knowingly induces such an infringement is liable as a contributory infringer.**" (Emphasis ours.)

In *National Pigments & Chemical Co. v. Shreveport Chemical Co.*, 1 Fed. Supp. 417, 421, the District Court, Western District of Louisiana, stated:

> "In other words, plaintiff in that case [Dry Ice Case] did not stand upon and confine itself to the protection afforded by the patent, but **attempted to widen the scope of its monopoly by contract or notice** beyond that which is permitted by the patent laws (it charged nothing for the carton or package but sought to make its profit out of the sale of solid carbon dioxide). I find, therefore, no analogy between the two cases, but the present one is more nearly akin to that of *Leeds & Catlin Co. v. Victor Talking Machine Co.*, 213 U. S. 323; 29 S. Ct. 495, 53 L. Ed. 805, and cases therein cited." (Brackets ours and emphasis ours.)

and further:

> "Unlike *Carbice Corporation of America v. American Patents Development Corporation*, 283 U. S. 27; 51 S. Ct. 334, 75 L. Ed. 819, commonly referred to in the briefs as the '*Dry Ice Case*', **the present plaintiff is not suing for contributory infringement based upon dealings by the defendants with the former's licensees.**" (Emphasis ours.)

In *Radio Corporation of America v. Majestic Distributors,* 53 F. (2d) 641, 644, the District Court, District of Connecticut, stated:

> "The Supreme Court of the United States, reversing the Circuit Court of Appeals, 283 U. S. 28, 51 S. Ct. 334, 75 L. Ed. 819, held, however, as plainly stated in the syllabus, that **one who supplies unpatented materials to a licensee to be used in disregard of an unlawful condition is not liable to the patentee as a contributory infringer.** The unlawful condition was that the patented article should be used only for the consumption of the unpatentable dry ice sold by the plaintiff.
>
> "**This decision, as I read it, has no bearing upon the right of an owner of a patent to sue for its infringement.** It simply holds, in effect, that Carbice did not infringe. Carbice was not charged with direct infringement but only contributory infringement. It could not be guilty of contributory infringement otherwise than by aiding the licensee to violate a condition attached to the license. The condition was manifestly void and so there could be no contributory infringement." (Emphasis ours.)

In *American Lecithin Co. v. J. C. Ferguson Mfg. Works,* 19 Fed. Supp. 294, 301, the District Court, District of Rhode Island, stated:

> "The case entitled *Carbice Corporation of America v. American Patents Development Corporation,* 283 U. S. 27, 51 S. Ct. 334, 336, 75 L. Ed. 819, which has been cited by the respondent as an authority which denies relief to the complainant, is clearly different from the instant case. The court there said: 'The case at bar is wholly unlike *Leeds & Catlin Co. v. Victor Talking Machine Co.,* 213 U. S. 325, 333 29 S. Ct. 503, 53 L. Ed. 816, on which plaintiffs rely. That was an ordinary case of

contributory infringement.' In that case the container had been sold, and an attempt had been made to control its use in the hands of the purchaser by requiring him to use it only with an unpatented substance. Upon the sale of the container, the patented monopoly in its use ceased. **In the instant case the patent has not been sold; no license has been issued; the patent monopoly still attaches to the patent.** Hence, it is clear that the Carbice Case did not change the law of contributory infringement, and does not control the instant case." (Emphasis ours.)

And in the case at Bar, the Court of Appeals for the Third Circuit stated with reference to the *Dry Ice Case* (Rec., p. 141):

"The case before us is wholly different. **There was no sale of the process to the contractor**; no relation whatever existed between him and the patent owner. **He is a simple infringer**, nothing else, and **the defendants**, who **stand in no different light**, charged with knowledge of the patent, advised that the contractor intended to infringe, in order to profit thereby, **sold to** such contractor their bituminous emulsion, whereby the contractor could infringe the patented process. The question of whether the Barber Company, as owner of the patent, could, in granting a license, limit its licensee to using its bituminous emulsion, is not here involved and on that question we express no opinion. **In the present case, the defendants are contributory infringers.**" (Emphasis ours.)

Plaintiff-Respondent is here standing squarely upon and confines itself to its patent right and seeks only relief against infringement of its patent right.

Plaintiff-Respondent has made no attempt, by contract, notice, or otherwise, to expand its patent monopoly by

limitations, or to reserve or create any monopoly in emulsion outside of, or apart from, its patent monopoly. **It has made no attempt to condition, and has not conditioned, any license or right under its patent on the purchase of any material from it.** Its licensee, Johnson-March Corporation, is not so restricted. **Its customers for emulsion have no more than the unconditioned license to use implied by law, and are under no restriction.**

No relation whatever existed between the direct infringer and Plaintiff-Respondent, or between the Defendant-Petitioner and Plaintiff-Respondent—**neither were customers of Plaintiff-Respondent—neither had any color of right, expressed or implied, to practice the patented process.**

With full sanction of law, Plaintiff-Respondent does not itself practice the patented process (*Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405). It obviously cannot make and sell the patented process, since a process, unlike a machine, manufacture or composition of matter, does not have physical form.

The case at Bar is distinguished from the *Dry Ice Case* and from the *Motion Picture Case* and is within the rule of the *Talking Machine Case*, in that **in the *Dry Ice* and *Motion Picture Cases* attempts were made to retain a partial monopoly in unpatented dry ice and film, by means of contracts with customers,** under which rights to use the inventions conditioned on the purchase of unpatented materials passed to the customers; **while in the case at Bar, as in the *Talking Machine Case*, direct action is taken, solely on the basis of the patent right, to restrain contribution to infringement of the patent, by a direct infringer who has no relation with the patent owner and who has no color of right under the patent.**

Only the restriction on sale of unpatented material, one with the patent monopoly, as resulted, with full sanction of law, in the *Talking Machine Case,* and as inevitably results from restraint of any infringement, can result from restraint of contributory infringement in the case at Bar.

The General Law.

The restraint of contributory infringement as an invasion of a patentee's rights to the exclusive use of his invention, granted under the patent laws (R. S. Title XL, Sec. 4884), has been fully sanctioned by this Court (*Talking Machine Case,* 213 U. S. 325). And there appears no provision of the general law, or principle of public policy under which the Plaintiff-Respondent's acts in this case can be condemned or the relief sought denied.

The general law, and which involves an expression of the public policy in limitation of the patent monopoly, comprises the *Sherman Anti-Trust Law,* Sec. 1 (U. S. Code, Title 15, Sec. 1) and the *Clayton Act,* Sec. 3 (U. S. Code, Title 15, Sec. 14) which respectively prohibit combinations and sales or leases of goods, in restraint of trade. **Neither of these acts is cited by Defendant-Petitioner, and neither contains any prohibition or discloses any principle of public policy as a basis for denial of relief here, in contravention of the patent owner's right, under the patent laws, to restrain infringement.**

The *Sherman Anti-Trust Law* prohibits combinations of persons in restraint of trade. With reference to patents this act was applied in *Standard Sanitary Mfg. Co. v. United States,* 226 U. S. 20, which involved a combination between a group of manufacturers, based on patents, to limit output, sales and prices. **The combination was held to be an illegal attempt by agreement to restrain com-**

merce. The *Dry Ice Case* (283 U. S. 27, 39) was found to present a situation analogous to that in the *Standard Sanitary Case,* in distinction from the case of ordinary contributory infringement presented by the *Talking Machine Case.*

The *Clayton Act,* Sec. 3, **makes it unlawful to lease or contract for the sale of goods** whether patented or unpatented **on the condition** or agreement or understanding **that the lessee or purchaser thereof shall not deal in goods of a competitor of the lessor or seller,** where the effect of such lease or sale may be to substantially lessen competition or tend to create a monopoly. The *Clayton Act* was applied to patents in *United Shoe Machinery Corp. v. United States,* 258 U. S. 451, **which involved a lease of machines conditioned on the purchase of nails exclusively from the lessor,** clearly in direct violation of the Clayton Act.

In the case at Bar there was **no sale or license of the process to the direct infringer,** or to the Defendant-Petitioner. No combination in restraint of trade is involved. **There is no contract or agreement aimed at expansion of the patent monopoly or at monopoly of emulsion apart from the patent monopoly, or any attempt by Plaintiff-Respondent, apart from enforcement of its patent right, toward such a monopoly.**

The Defendant-Petitioner, having no contract, such as was condemned in the *Motion Picture* and *Dry Ice Cases,* to rely on, seeks to find in Plaintiff-Respondent an intent to monopolize an unpatented material rather than to enforce its patent monopoly. The facts do not warrant such a finding.

On the other side, it is evident from the facts that Defendant-Petitioner, **a deliberate infringer of the patent and an invader of Plaintiff-Respondent's right to the exclusive**

use of the invention, seeks the sanction of law upon its illegal and inequitable acts and doings, to the end that it may profit from the invention through the sale of emulsion to those, more daring, whom it may induce to directly infringe the patent.

As to the sociological dangers argued to be involved in the grant of the equitable relief sought here, it is clear that **Plaintiff-Respondent seeks only restraint upon the sale of emulsion for the purpose of use in infringement of its patent. No restraint upon the sale of emulsion as such, to road contractors, or others, for use for any purpose other than in infringement is sought.**

Defendant-Petitioner is bound to respect the patent laws of the United States and is, under the general law, bound by the acts of its authorized agents. However, the burden is definitely upon the patent owner to prove knowledge where it seeks to establish contributory infringement. Hence, the Defendant-Petitioner is under no greater responsibility, in the premises, than are the people of the United States generally.

It is absurd for Defendant-Petitioner to argue that, if the relief sought be granted here, it would have to cease entirely the sale of asphalt emulsion. There is no basis in fact or law for such an argument.

The relief sought here will have no different effect than if Plaintiff-Respondent restrained all direct infringers of the patent, or all of Defendant-Petitioner's customers who directly infringe, **as Defendant-Petitioner, we believe, concedes Plaintiff-Respondent has the right to do.**

The relief sought here against one who has deliberately induced and made possible direct infringement, has full sanction of law, in order not only to restrain a multiplicity of repetitions by Defendant-Petitioner of the tort of con-

tributory infringement, but also to avoid a multiplicity of direct infringements and of suits on account thereof.

On the other side, **if relief here be not granted, the doctrine of contributory infringement as a whole must be discarded, since the patent law does not distinguish between patentees who sell unpatented things used in connection with their inventions and those who do not.**

If relief here be not granted anyone may with impunity freely induce and aid in widespread infringement of patents, in contravention of the patent laws and to the irreparable injury and damage of the owners of patents, who will have no adequate remedy for the invasion of their rights.

CONCLUSION.

In conclusion, we respectfully submit:

1. That there can be no sanction of law upon the wilfull and purposeful aiding, abetting and making possible of the infringement of a patent, by one having no relation with the patent owner and having no color of right under the patent.

2. That the right to restrain the sale of an unpatented material **with intent that it be used in the unauthorized practice of a patented process,** is sanctioned by the patent laws, as one with the right to restrain infringement of the patent.

3. That the right to enforce the monopoly of a process patent against infringers, whether contributory or direct, is not limited because the patent owner (a) does not practice the process and (b) does sell, without restriction, an unpatented material used in the carrying out of the process.

4. That the decision of the Circuit Court of Appeals for the Third Circuit should be affirmed.

Respectfully submitted,

GEORGE J. HARDING,
Counsel for Plaintiff-Respondent.

Of Counsel:

FRANK S. BUSSER.

APPENDIX.

Patent Laws, R. S. Title LX, Sec. 4884.

Sec. 4884. (U. S. C., title 35, sec. 40.) Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery (including in the case of a plant patent the exclusive right to asexually reproduce the plant) throughout the United States and the Territories thereof, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

Sherman Anti-Trust Law, U. S. Code, Title 15, Sec. 1.

Sec. 1. Trusts, etc., in restraint of trade illegal; penalty.

Every contract, combination in the form of trust or otherwise or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. (U. S. Code, Title 15, Sec. 1.)

Clayton Act, U. S. Code, Title 15, Sec. 3.

Sec. 3. Sale, etc., on agreement not to use goods of competitor.

It shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make a sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption or resale within the United States or any Territory thereof or the District of Columbia or any insular possession or other place under the jurisdiction of the United States, or fix a price charged therefor, or discount from, or rebate upon, such price, on the condition, agreement or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce. (U. S. Code, Title 15, Sec. 14.)

SUPREME COURT OF THE UNITED STATES.

No. 208.—October Term, 1937.

Leitch Manufacturing Company, Inc., Petitioner, *vs.* The Barber Company, Inc.	On Certiorari to the United States Circuit Court of Appeals for the Third Circuit.

[January 3, 1938.]

Mr. Justice Brandeis delivered the opinion of the Court.

The question for decision is whether the owner of a process patent may by suit for contributory infringement suppress competition in the sale of unpatented material to be used in practicing the process.

The Barber Company brought, in the federal court for New Jersey, against the Leitch Manufacturing Company,[1] this suit to enjoin the alleged contributory infringement of patent No. 1,684,671, dated September 18, 1928, by selling and delivering bituminous emulsion to a road builder, knowing that it was to be used in Newark in accordance with the method defined in the claims of the patent. Besides denying the validity of the patent, this further defense was interposed. It was insisted that the suit could not be maintained, even if the patent were valid, because to do so would give a limited monopoly of an unpatented staple article of commerce. The following facts were proved or admitted.

The Barber Company and Leitch Manufacturing Company are competing manufacturers of bituminous emulsion—an unpatented staple article of commerce produced in the United States by many concerns and in common use by their customers for many purposes. By builders of macadam roads the emulsion has long been used as a coating for crushed stone and otherwise. With builders of cement concrete roads it has recently come into use for a film on the sur-

[1] The suit was begun by The Barber Asphalt Company, the then owner of the patent. During the pendency of the suit that corporation transferred the patent, together with all claims for damages and profits for past infringement and the right to sue therefor, to The Barber Company, Inc. Upon supplemental bill of complaint, it was substituted as plaintiff. The Stulz-Sickles Company, the jobber through whom the sale was made, was a co-defendant throughout the proceedings below; but declined to join in the petition for certiorari.

face of the roadway to retard evaporation during curing. For the method of so retarding evaporation The Barber Company acquired the process patent sued on, and seeks to use it to secure a limited monopoly in the business of producing and selling the bituminous material for practicing and carrying out the patented method. The company does not itself engage in road building, or compete with road contractors. It does not seek to make road builders pay a royalty for employing the patented method. It does not grant to road builders a written license to use the process.[2] But it adopts a method of doing the business which is the practical equivalent of granting a written license with a condition that the patented method may be practiced only with emulsion purchased from it. For any road builder can buy emulsion from it for that purpose, and whenever such a sale is made, the law implies authority to practice the invention. On the other hand The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building.

The District Court discussed, but found it unnecessary to pass upon, this defense, as it dismissed the bill on the ground that the patent was void. 14 F. Supp. 212. The Court of Appeals sustained the validity of the patent; concluded that there was contributory infringement; held that maintenance of the suit was not forbidden by the rule declared in *Carbice Corporation* v. *American Patents Development Corporation*, 283 U. S. 27; and directed that the District Court enter a decree adjudging the claims in issue valid and infringed, and awarding an accounting. 89 F. (2d) 960. One judge dissented on the ground that the decree dismissing the bill should have been affirmed under the rule declared in the *Carbice* case. A petition for certiorari limited to that question was applied for and granted.

That the patent did not confer upon The Barber Company the right to be free from competition in supplying unpatented material to be used in practicing the invention was settled by the rule

[2] No written license had, so far as appears, been granted by The Barber Company to any one. Its predecessor, The Barber Asphalt Company (see note 1), had granted a written license to Johnson-March Corporation, which paid no royalty but bought from The Barber Asphalt Company "cutback material" for use in the East, and "Trinidad or Bermudez asphalt" for use in the West.

declared in the *Carbice* case. That suit was likewise one to enjoin an alleged contributory infringer. The subject of the patent was a refrigerating transportation package in which the refrigerant to be used was solid carbon dioxide, or "dry ice". The sole business of the Dry Ice Corporation was to make and sell dry ice—which is unpatented material. It did not make or sell transportation packages in which dry ice was used as a refrigerant. It did not issue to other concerns licenses to make such packages upon payment of a stipulated royalty. It did not formally license buyers of its dry ice to use the invention in suit. But each invoice for dry ice bore a notice in effect that the patented container could be used only with dry ice purchased from the Corporation. In declaring that relief must be denied the Court said:

"The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used. Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention." (pp. 33-34.)

"In the case at bar the plaintiffs neither sell nor license others to sell complete transportation packages. They supply merely one of several materials entering into the combinaation, and on that commodity they have not been granted a monopoly. Their attempt to secure one cannot be sanctioned." (pp. 34-35.)

The Barber Company contends that the rule of the *Carbice* case is not applicable because it has not entered into any contract or agreement aimed at expansion of the patent monopoly. It argues that in the *Carbice* case, as in *Motion Picture Patents Co.* v. *Universal Film Mfg. Co.*, 243 U. S. 502, the attempt to secure the "partial monopoly of an unpatented material, outside of and apart from the patent monopoly" was made by contract or notice, whereas The Barber Company has made no attempt "by contract, notice or otherwise, to expand its patent monopoly by limitations, or to reserve or create any monopoly in emulsion outside of, and apart from, its patent monopoly"; that "its customers for emulsion have no more than the unconditional license to use implied by law and are under no restriction;" and that neither the defendant nor its customers "has any relation with the patent owner".

The distinction upon which The Barber Company thus rests is without legal significance. The Court held in the *Carbice* case that the limitation upon the scope or use of the patent which it applied was "inherent in the patent grant." It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, ignoring the limitation "inherent in the patent grant", sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention. By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. Nothing in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, limits it.

Reversed.

Mr. Justice CARDOZO took no part in the consideration or decision of the case.

A true copy.

Test:

Clerk, Supreme Court, U. S.